

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

ADJUSTMENT OF RATES OF GENERAL)
TELEPHONE COMPANY OF KENTUCKY) CASE NO. 8859

O R D E R

IT IS ORDERED that General Telephone Company of Kentucky ("GTKY") shall file an original and 15 copies of the following information with the Commission on or before September 15, 1983. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to insure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and Kentucky jurisdictional operations, separately. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

1. (a) Provide a description of the carrier billing system developed or leased by GTKY in order to implement its access service tariff. Also, state the cost of system development or leasing and describe the cost assignment for rate development.

(b) Provide a description of how the carrier billing system will interface with existing GTKY billing systems.

(c) Provide a description of any modifications or additions to existing billing systems that GTKY plans to make in order to implement its access service tariff. Also, state the cost of any modifications or additions and describe the cost assignment for rate development.

2. Provide a description of GTKY's access service tariff structure, including a list of price elements that can be charged to carriers and end-users under the tariff.

3. Provide a description of the methodology used to calculate each access charge filed in the case. Also, show actual calculations from workpapers or other source documents.

4. Provide a description of each access service feature group that GTKY plans to make available to carriers, both on an interlata and intralata basis. Also, if applicable, explain why any feature group that could be made available to carriers will not be made available to carriers under the access service tariff.

5. (a) Provide GTKY's 1982 or test year intrastate toll investment and revenue requirement by toll service category, separated between non-traffic sensitive ("NTS") and traffic sensitive ("TS") investment and revenue requirement.

(b) Provide GTKY's 1982 or test year intrastate NTS investment and revenue requirement for Category 6 Central Office Equipment (Local Dial Switching).

6. (a) Provide the percentage of GTKY's total NTS investment assigned to intrastate toll service of all types as of 1982 or the test year.

(b) Provide the percentage of GTKY's total NTS investment that will be assigned to intrastate intralata toll service of all types after January 1, 1984.

7. (a) Provide GTKY's 1982 or test year interstate Subscriber Plant Factor.

(b) Provide GTKY's 1982 or test year interstate toll investment and revenue requirement by toll service category, separated between NTS and TS investment and revenue requirement.

8. (a) Provide the percentage of GTKY's Subscriber Line Usage ("SLU") assigned to intrastate toll service of all types as of 1982 or the test year.

(b) Provide the percentage of GTKY's intrastate toll SLU that will be assigned to intrastate intralata toll service of all types after January 1, 1984.

9. Provide GTKY's intrastate minutes of use for toll service of all types for 1982 or the test year. The data should be provided in total form and, also, disaggregated between interlata and intralata minutes of use. Also, specify whether the data was developed on a holding time basis. If necessary, convert the data to conversation minutes of use and state the conversation time ratio used to convert the data.

10. Provide the number of residence and business access lines that GTKY had in service as of 1982 or the test year. The data should be disaggregated according to service category, e.g., individual lines, Centrex lines, private branch exchange lines, key system lines, wide area toll lines, semipublic lines, foreign exchange lines, and dedicated private lines. Also the data, should be disaggregated according to lata.

11. (a) Provide the number of foreign exchange lines and equivalents that originate in GTKY's service area.

(b) Provide the number of foreign exchange lines and equivalents that terminate in GTKY's service area.

(c) Provide the average monthly minutes of use associated with foreign exchange lines and equivalents in GTKY's service area as of 1982 or the test year. Also, specify whether the data was accumulated by sampling, measurement, or some other method.

(d) Provide the number of foreign exchange lines and equivalents in GTKY's service area that are equipped to measure monthly minutes of use on an individual line basis.

12. (a) Provide GTKY's most recent estimate of the total price elasticity of demand for residence and business local exchange service, including summary workpapers, data inputs, and model specifications used to develop the estimate.

(b) Provide GTKY's most recent estimate of the total price elasticity of demand for residence and business toll service, including summary workpapers, data inputs, and model specifications used to develop the estimate.

13. Provide an explanation of GTKY's position concerning the effect of lata boundaries on the provision of intrastate WATS, and a statement as to whether GTKY will continue to concur in South Central Bell Telephone Company's WATS tariff after January 1, 1984.

14. (a) Provide an estimate of revenue from carrier access services.

(b) Provide an estimate of revenue from carrier contract services.

(c) Provide an estimate of revenue from toll services based on the WATS and MTS schedules filed by South Central Bell Telephone Company in Case No. 8847.

(d) Provide a revised estimate of intrastate end-user charges based on GTKY's test year toll revenue requirement and the above outlined sources of revenue.

15. State GTKY's position concerning a premuim access charge to AT&T. The response should address a method for calculating a premium access charge, an estimate of the revenue that would be collected from a premuim access charge, and the disposition of revenue to be collected from a premium access charge.

16. Provide intrastate toll service data as shown in Format No. 1. The data should be based on 1982 or the test year.

17. Provide a list of all rate elements to be increased that GTKY contends are competitive in nature. Also, for each rate element, identify the name and address of the principal competing vendors in GTKY's service area, the communities in GTKY's service

area where the competing product or service is available, the name of the competing product or service, the price charged for the competing product or service, whether GTKY contends that providing the product or service requires Commission approval and whether to GTKY's knowledge competing vendors have obtained Commission approval, whether the competing vendors are resellers, retailers, or other common carriers, and the market share held by GTKY and competing vendors.

18. Provide any study done by GTKY to evaluate the impact of competition in the residential and business toll markets in Kentucky.

19. If GTKY has conducted a study of by-pass in Kentucky, provide a copy of the study, including an executive summary, a complete narrative description of the study methodology and results, and data supporting study conclusions.

20. If GTKY assumes that there will be intralata competition in the area of toll or any other service, after January 1, 1984, provide the documentary basis for the assumption.

21. Provide an estimate of the intralata toll market share that GTKY expects to maintain after January 1, 1984. The data should be disaggregated to show an estimate for each toll route in GTKY's service area.

22. Provide the number of dedicated private lines and toll lines leased by competing vendors in GTKY's service area. The data should be disaggregated to show the number for each private line and toll route in GTKY's service area. Also, state whether

the data is actual or estimated and, if estimated, explain the methodology used to develop the estimate.

23. Provide the total average residential and business customer bill by rate group and class of service, e.g., group 1 flat rate, as of 1982 or the test year. The data should be disaggregated to show average access charges, local usage charges, interstate toll charges, intrastate toll charges, miscellaneous charges, and equipment charges.

24. Provide the number of households in GTKY's service area with 2 or more access lines.

25. Provide any cost study done by GTKY concerning basic exchange service.

26. Provide an analysis of any cost savings and expense increases that may occur as a result of restructuring the basic exchange schedule.

27. Provide a map of GTKY latas and lata associations.

28. Provide a list of all interexchange carrier points of presence in GTKY's service area that known to GTKY at this time.

29. Provide the following residence and business data for GTKY's service area as of 1982 or the test year and a summary of the methodology used to develop the data:

(a) The total number of local message attempts.

(b) The total number of local message attempts completed.

(c) The total number of flat rate local messages.

(d) The total number of message rate local messages.

(e) The average number of conversation minutes per local message.

(f) The distribution of calls per hour of day and day of week.

30. Provide the number of residence and business access lines by class of service, e.g., individual line flat rate, as of 1982 or the test year.

31. Provide data to calculate access line usage and local usage per access line per month. The data should include the number of residence and business access lines by class of service, e.g., individual line flat rate, the total cost of access line service, and total access line revenue.

32. Provide any GTKY study of basic exchange service that indicates the monthly cost of local exchange access, the monthly cost of local exchange usage, and total monthly revenue from residence and business access lines by class of service, e.g., individual line flat rate.

33. Provide the results and basic data from GTKY's most recent Subscriber Line Usage Study.

34. Provide any GTKY study concerning the elasticity of demand for residence and business basic exchange access and local exchange usage. If a study or other data is available, it should measure elasticity of demand concerning nonrecurring charges, monthly access line charges, monthly local usage charges, the number and length of local calls, and local calls made during peak calling periods.

35. Provide a list of all presentations, meetings, seminars, or conferences held by GTKY on the subject of basic exchange service from January 1, 1982, to the present time. Also, include a list of persons attending the presentations, meetings, seminars, or conferences, and provide a copy of all slides, visual materials, handouts, or documents used in the presentations, meetings, seminars, or conferences.

36. Provide a copy of any GTKY basic exchange service plan, planning document, strategic guideline, or manual prepared after January 1, 1982, to the present time.

37. Provide a copy of any draft report or status report prepared by GTKY from January 1, 1982, to the present time concerning any basic exchange service plan, planning document, strategic guideline, or manual prepared by GTKY from January 1, 1982, to the present time.

38. Provide any workpapers and documents that show how the costs of any computerized testing, maintenance, or inventory systems were included in nonrecurring cost studies. Also, identify how cost savings associated with any computerized testing, maintenance, or inventory systems were included in the cost studies.

39. Provide a summary of the results of time estimates developed for use in nonrecurring cost studies and all documents that support the time estimates. Also, include a copy of all questionnaires or forms that were used in the data collection process and a summary of responses to the questionnaires or forms.

40. Provide all workpapers and documents that were used to develop the labor rates used in nonrecurring cost studies. Also, include a copy of the functional accounting reports used to develop wages and hours, all documentation and summaries that explain how data entries are made to the functional accounting reports, an all documentation and summaries that identify the job functions of all supervisory personnel whose wages and hours were included in the labor rates.

41. (a) Provide all workpapers and summaries detailing how nonrecurring costs were derived and rates developed.

(b) Provide a description of assumptions made in nonrecurring cost studies, including the planning period, the assumed rate of inflation, and the period of time covering wage rates that were used.

(c) If labor and other costs associated with service disconnection were used in nonrecurring cost studies, provide any workpapers and summaries and describe underlying assumptions.

42. Provide data on the distribution of residence and business local loops in GTKY's service area by class of service, e.g., individual line flat rate.

43. Provide data on local loop inward and outward movement in GTKY's service area for 1982 or the test year by class of service, e.g., individual line flat rate.

44. Provide data on local loop fill factors in GTKY's service area for 1982 or the test year by rate group and class of service, e.g., individual line flat rate.

45. Provide a 35-step exchange rate schedule and price-out of basic exchange and related services. Also, provide a proportional distribution of the number of residence and business access lines in each rate group.

46. Provide a proportional distribution of the number of residence and business access lines in each rate group of GTKY's proposed 7-step exchange rate schedule.

47. Provide a description of GTKY's rationale in setting the business individual line rate differential at 250 percent of the residence individual line rate.

48. Provide a description of GTKY's proposed 1-1/2 percent late payment charge. That is, on what basis was 1-1/2 percent selected? Also, explain whether the charge would apply to local service billing only or to all billed charges, including toll charges.

49. Provide actual test year billing units for each rate element where billing units have been repressed.

50. Provide a referenced list of all billing analysis items that show no billing units and explain the lack of billing units. Special attention should be given to billing items that may have been performed at no charge or under another name during the test period, e.g., wiretap investigation and call tracing.

51. Provide a cost study for each rate element in the GCST, S2, General Regulations, except if already provided.

52. Provide a cost study for each rate element in the GCST, S3, Basic Local Exchange Service, except if already provided and except basic exchange schedule rate elements.

53. Provide a cost study for each rate element in the GCST, S4, Service Charges, except if already provided.

54. Provide a cost study for each rate element in the GCST, S5, except if already provided.

55. Provide a cost study for each rate element in the GCST, S6, Directory Listings, unless already provided.

56. Provide a cost study for each rate element in the GCST, S7, Coin Telephone Service, except if already provided and except the message coin rate.

57. Provide a cost study for each rate element in the GCST, S8, Telephone Answering Service Facilities, except if already provided.

58. Provide a cost study for each rate element in the GCST, S9, Foreign Exchange Service and Foreign Central Office Service, except if already provided.

59. Provide a cost study for each rate element in the GCST, S12, ETSX and Centrex Service, except if already provided.

60. Provided a cost study for each rate element in the GCST, S13, Miscellaneous Service arrangements, except if already provided.

61. Provide a cost study for each rate element in the GCST, S17, Mobile Telephone Service, except if already provided.

62. Provide a cost study for each rate element in the GCST, S18, Long Distance Telecommunications Service, except if already provided.

63. Provide a cost study for each rate element in the GCST, 520, Private Line Service and Channels, except if already provided.

64. Provide a cost study for each rate element in the GCST, S23, Personal Signaling Service, except if already provided.

65. Provide a cost study for each rate element in the GCST, S109, Discontinued Foreign Exchange Service, except if already provided.

66. Provide a cost study for each rate element in the CPPT, T103, Discontinued Private Branch Exchange Service, except if already provided.

67. Provide a cost study for each rate element in the CPPT, T104, Discontinued Auxiliary Intercommunications System, unless already provided.

68. Provide a cost study for each rate element in the CPPT, T105, Discontinued Key Telephone systems, except if already provided.

69. Provide a cost study for each rate element in the CPPT, T106, Discontinued Special Systems and Services, except if already provided.

70. Provide a cost study for each rate element in the CPPT, T107, Discontinued data Equipment, except if already provided.

71. Provide a cost study for each rate element in the CPPT, T108, Discontinued Telephone Sets and Adjuncts, except if already provided.

72. Provide a cost study for each rate element in the CPPT, T109, Discontinued Miscellaneous Equipment, except if already provided.

73. Provide a cost study for each rate element in the CPPT, T110, Discontinued Customized Services, except if already provided.

74. Provide the total dollar amount of the 1983 construction budget and the projected amounts for 1984 and 1985.

75. Provide details of the construction budget for 1983 and proposed budgets for 1984 and 1985 in the following areas:

- (a) Central office equipemnt. ("COE")
- (b) Carrier equipment
- (c) Outside plant, specifically fiber optics

76. Supply copies of workpapers which provide economic justification for additions and changes in the plant categories indicated above.

77. (a) Where known, provide information as to the type and manufacturer of the equipment to be used in the plant categories listed above.

(b) Relative to a, what types and manufacturers of equipment were considered? Provide economic justification for the types and manufacturers selected.

78. For the COE and all outside plant categories, what percentage of construction by category is performed by contract as apposed to internal work force? Provide details of typical contract payment arrangements, and average length of contract by plant category.

79. (a) Provide estimates for 1984 and 1985 of "Essential" construction expenditures based on a "status quo" program. These expenditures should be based only on maintenance of existing service and provision of service to new applicants, and should only include modernization to the same extent.

(b) What would be the effect of such a construction program as outlined in part a.

80. Provide the incremental construction budget cost (i.e., software, etc.) necessary for the provision of local measured service. Provide the total amount as well as the cost per access line for customers served by Digital Central Offices. For central offices other than Digital, provide these same total and per line costs and by type of office.

81. Furnish workpapers which provide economic justification for the proposed replacement of ESSX-2 Central Office Equipment.

82. Provide all cost-benefit studies undertaken by the company related to implementing local measured service in Kentucky.

83. Provide all cost studies completed on local-measured service in Kentucky with a description of each study.

84. Provide a detailed summary of all investments the company has made to date to implement local measured service in Kentucky.

85. Provide the total amount of additional investment the company intends to make in each of the next five years to provide local measured service in Kentucky.

86. Provide all studies and other documentation made by General or other parties that induced General's belief that additional construction of approximately \$235 million will be required within the next two years. Include all assumptions and the weight given to each in reaching this opinion.

87. Provide any studies or other evidence that the telecommunications equipment currently being used by General is inadequate to meet the current and projected demands of its customers. Provide any studies or underlying assumptions used to project future customer requirements.

88. Compare the overall cost to the rate payer in the short-run using the phase-in and flash-cut methodologies for expensing station connection costs.

89. Does General believe there are any benefits to be accrued to either the company or its customers in the short or long-run by using the phase-in methodology for expensing station connection costs? What are these benefits or why does General believe there are none?

90. Provide the following fuel normalization of overheads; example:

Use a 5 percent, 10 percent and 15 percent increase in rate base per year for 20 years. Use the current percentage of overhead being capitalized of the overall percentage increase. Using the requested rate of return times the percentage used in this case for the overall composite depreciation rate for taxes and the overall composite depreciation rate for book purposes and the current percentage of construction costs funded internally and externally; calculate the revenue requirement effect of a change from expensing overhead to normalizing overhead for the 20 year period per year. All other factors should remain the same. The percentage increase in rate base is to be compounded

annually. Show all balance sheet and income statement changes.

Questions 7 - relate to item 16 of Staff Data Request, Volume 1.

91. What were the reasons that GTKY chose to use a 13 month average cash balance instead of 1/8 of its operating and maintenance expenses in determining the cash working capital requirement? Was the method previously allowed by this Commission? Is GTKY aware of the Commission's policy for determining the amount or necessity for cash working capital requirements?

92. Does GTKY bill in advance for service to be rendered? Has GTKY performed a lead/lag study to determine working capital requirements? If yes, provide a complete analysis.

93. Provide the calculations for determining the change in miscellaneous revenues of \$174,186 shown on page 9 of 103 , line 25, column 1.

94. In determining the end of period level for wages why did GTKY annualize the last pay period rather than the last quarter of the test period?

95. Explain why the annualized wages for lBEW and Management Support are apparently greater than the actual wages paid given that fewer hours and employees are being annualized. If this is due to wage increases give the percentage of increase and when the increase was given for each of the above.

96. Has the 7 percent increase in wages for CWA workers scheduled to take effect June 5, 1983, been implemented? Was the

increase the 7 percent indicated? Show all changes on pro forma costs indicated in final settlement.

97. How were the amounts in columns 15, 16, 217 on page 21 of 103 determined? Explain what is meant by Kentucky Billing. How was the 8 percent increase in Kentucky Billing determined?

98. Provide the actual toll settlement ratios for each month of the test period. Is the settlement ratio used on page 13 of 103, line 6, actual or projected? If projected how was it calculated and what is the basis of the calculation?

99. What would have been the effect on Intrastate toll rate base if purchase orders had not been eliminated? Why were purchase orders removed from the intrastate toll rate base?

100. Provide the payroll loading factors for each of the 5 years preceeding the test period. Calendar years are acceptable.

101. Explain the change in short-term debt due to Retained Earnings Adjustment.

102. Provide a breakdown of the expenses associated with the proposed late payment charge. Has the anticipated revenues to be generated by this charge been included in this filing? If so indicate the amount and where it is located in the filing. If not provide an explanation as to why it was left out.

103. In Item 18(a) of the Staff Data Request Volume 1, Account 779, Expense Charge Construction Credit is a reduction to Other Operating Expenses; in Item 16, page 64 of 103 in the detail of Other Operating Expenses it is an increase. Reconcile this difference and provide revised computations were necessary.

104. Normalization of Toll Analysis, page 11 of 103, lines 5 and 6 do not include amounts for true-up earned during the test period recorded outside of the test period. Provide the amounts that should have been recorded and/or an explanation as to why no amount was recorded. Provide an explanation of the ? in these amount columns.

105. Why does the true-up recorded on line 2 of the Normalized Toll Analysis result in an increase in total toll revenues of \$64,344 and a decrease in intrastate toll revenues of \$46,379?

106. Normalized Toll Analysis. Why does the unfreezing of Enfia SPF potential exposure booked in 4-83 result in an increase in total toll revenue of \$200,000 but has no effect on intrastate toll revenues?

107. Provide a narrative explanation for the Pay Station Collection Adjustment.

108. Provide the Access Charge incremental Cost Study used to arrive at the adjustment on page 69 of 103. Provide the calculation for all amounts and percentages used in this adjustment if not part of the requested study.

109. Provide detailed calculations for the Access Charges Toll Adjustment shown on page 70 of 103.

110. Provide calculation for the percentage of total end of period wages taxable.

111. Provide the State Unemployment Tax, Account 3031 for each month of the test period and for the same month for the year

preceeding the test period. Provide an explanation for any major changes accruing during the test period.

112. Provide the monthly balances for the test period and the year preceeding the test period in Account 3037 Federal Unemployment Tax. Provide an explanation for any major changes accruing during the test period.

113. Provide an explanation why Employee Concessions - Other Expense Adjustment and Employee Concessions - Local Revenue Adjustment net each other out. Provide calculations for each adjustment.

114. When is the proposed adjustment to telephone plant to be completed?

115. Station Connection Expensing Adjustment, page 50 of 103, why were the amounts on line 17, column 1 multiplied by 12 to arrive at the amount in column 3?

116. Provide a monthly balance for the depreciatin expense to be written off for station connection expensing adjustment.

117. Provide the calculation for arriving at the \$1,156,317 adjustment to net income associated with the proposed \$19,594,653 adjustment to rate base. Provide all underlying assumptions and computations.

118. Station Connection Expensing, Staff Data Request Volume 1, Item 16, page 53 of 103. Provide the calculations for the amounts in column 1.


119. Provide total factor productivity calculations for 1982 and the four previous years. Provide a narrative explanation of how this calculation is performed.

120. Provide a breakdown of license contract costs and further provide all studies indicating the cost benefit analysis for each item for the Kentucky intrastate operations. Provide an explanation regarding the method these itemized costs are allocated to each jurisdiction and the basis for the allocation. Further provide a complete narrative explanation of the "control" measures exercised in the Kentucky jurisdiction regarding services provided under the license contract.

121. Restate all of Blanchard's exhibits on an intrastate basis.

Done at Frankfort, Kentucky, this 1st day of September, 1983.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary

MESSAGE TOLL USE

RESIDENCE

| <u>Exchange</u> | <u>Company</u> | <u>Access Lines</u> | <u>Total</u> <u>Msg.</u> | <u>Total</u> <u>Min.</u> | <u>Total</u> <u>Charges</u> | <u>Msg.</u> <u>Per Line</u> | <u>Min.</u> <u>Per Line</u> | <u>Charges</u> <u>Per Line</u> | <u>Min.</u> <u>Per Message</u> | <u>Charges</u> <u>Per Message</u> |
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MESSAGE TOLL USE

BUSINESS

| <u>Exchange</u> | <u>Company</u> | <u>Access Lines</u> | <u>Total</u> <u>Msg.</u> | <u>Total</u> <u>Min.</u> | <u>Total</u> <u>Charges</u> | <u>Msg.</u> <u>Per Line</u> | <u>Min.</u> <u>Per Line</u> | <u>Charges</u> <u>Per Line</u> | <u>Min.</u> <u>Per Message</u> | <u>Charges</u> <u>Per Message</u> |
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